

SIGA RESOURCES LIMITED

2003 ANNUAL REPORT

SIGA RESOURCES LIMITED 2003 ANNUAL REPORT

CORPORATE PROFILE

Siga Resources Limited is a TSX Venture Exchange listed company with 13,358,809 common shares issued and outstanding. The Corporation's trading symbol is "SIG".

TABLE OF CONTENTS

Report to Shareholders.....	Page 3
Property Review.....	Page 7
Auditors' Report.....	Page 8
Financial Statements.....	Page 9
Corporate Information.....	Page 19

NOTICE OF ANNUAL GENERAL MEETING

You are cordially invited to attend the Annual and Special Meeting of Siga Resources Limited at 10:30 a.m. on December 3, 2003 in the Conference Room at the offices of the Company, located at 400, 333 – 5th Avenue S.W. Calgary, Alberta T2P 3B6. Telephone: (403) 262-5075.

REPORT TO SHAREHOLDERS:

During the past fiscal year, Siga Resources Limited showed significant improvement in revenues and production from the previous year. Your company has emerged from its past problems, and is poised for solid growth in production, revenues and shareholder value. The Company has quality drilling projects on its existing land holdings that it may develop during the coming year, and management is continually seeking out investment opportunities.

Financial Analysis**Revenue**

Total revenue net of royalties, for the fiscal year ending June 30, 2003 increased 120% from \$244,494, in fiscal 2002 to \$539,024. The revenue increase was due to increased production at the Bruce and Herronton properties and strong commodity prices.

Operating Expenses

Operating expenses increased 43% from \$72,811 in fiscal 2002 to \$104,507 in the current fiscal year, due to the increase in production at Bruce and Herronton.

General and Administrative Expenses

General and Administrative expenses increased 20% from \$113,505 in fiscal 2002 to \$136,367 in the current fiscal year, due to increased activity.

Interest Expense

The Company's debt decreased significantly from the previous fiscal year end and the result was a decrease in total interest expense from \$35,915 to \$25,807. At June 30, 2003, bank indebtedness was \$290,000.

Depletion and Site Restoration

Depletion expenses increased from \$63,285 in fiscal 2002 to \$72,056 in fiscal 2003. The increase was due entirely to production increases.

Site restoration liability increased slightly from \$49,287 in fiscal 2002 to \$53,190 in the fiscal year ended June 30, 2003.

SIGA RESOURCES LIMITED 2003 ANNUAL REPORT

Financial Highlights

	2003 (\$)	2002 (\$)
Cash Flow from Operations	226,647	52,088
Per Share	0.017	0.004
Net earnings (loss)	200,287	(31,622)
Net earnings (loss) per share	0.015	(0.002)

Operations Review

Reserves and Production

For the Corporation's June 30, 2003 evaluation of its oil and gas interests prepared by Fekete Associates Inc., the Corporation has adopted the definitions referred to in National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. These definitions will become compulsory for all oil and gas companies on December 31, 2003.

	Remaining Reserves		Net Present Value - M\$		
	Natural Gas (MMscf)	Crude Oil & NGL's (MSTB)	Discounted at 0%	10%	15%
Total Proved Producing	678	25.0	2579	1578	1333
Total Proved	678	25.0	2579	1578	1333
Total Proved plus Probable	1159	79.4	5293	3047	2511

- As at June 30, 2003, determined by Fekete Associates Inc., independent consultants.

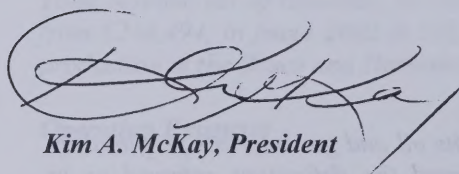
- Remaining reserves are the Corporation's share of reserves before deducting for crown, freehold or other royalties.

- Discounted data represents the present value of estimated future cash flows before income taxes including Alberta Royalty Tax Credit, (based on constant price and cost assumptions).

General Comments

The management of Siga remains committed to fulfilling our obligation to you, the Shareholder. Our corporate objective is to achieve above average growth in the value of our common shares. We intend to achieve this goal by adding low cost reserves, enhancing current production from our existing properties and maintaining careful control of overhead and operating costs.

We wish to thank our Shareholders and the Board of Directors of Siga for their ongoing support and interest in the Company.

A handwritten signature in black ink, appearing to read 'Kim A. McKay', with a large, stylized flourish extending from the end of the signature.

Kim A. McKay, President

SIGA RESOURCES LIMITED**2003 ANNUAL REPORT****HIGHLIGHTS**

	June 30, 2003	June 30, 2002	Percentage Increase (Decrease)
<u>Financial (\$)</u>			
Revenue	539,024	244,494	120
Funds provided by Operations	272,343	22,263	1,123
per share	0.020	0.002	900
Net Income (Loss)	200,287	(31,622)	732
per share	0.015	(0.002)	n/a
Capital Expenditures	154,531	60,359	156
Bank Indebtedness	290,000	373,352	(22)
Shareholder Equity	414,726	214,439	93

Reserves (Proved plus Probable, before royalties) based on escalated price and cost assumptions

Oil and natural gas liquids (MSTB)

	June 30, 2003	October 31, 2002
Total Proved Producing	25.0	31.2
Total Proved	25.0	31.2
Total Probable	<u>60.9</u>	<u>59.4</u>
Total Proved plus Probable	85.9	90.6

Natural gas (MMscf)

Total Proved Producing	678	464
Total Proved	678	850
Total Probable	<u>481</u>	<u>452</u>
Total Proved plus Probable	1159	1302

Note: Adoption of NI 51-101 in June 30, 2003 report, resulted in reclassification of Proved Reserves at October 31, 2002 to Probable Reserves at June 30, 2003.

PROPERTY REVIEW**BRUCE, ALBERTA**

Siga owns a 100% working interest in a gas well at 6-17-50-16 W4M. A surface pump was installed on this well in the third quarter and the Viking, Colony and Glauconite zones were commingled and placed on production.

EYREMORE, ALBERTA

The Company owns a 5.82% working interest in a producing gas well located at 9-22-18-18 W4M. During the year, the Company sold its 7.5% working interest in a marginally economic gas well at 6-9-18-18 W4M.

HERRONTON, ALBERTA

During the year two wells were drilled under a farmout agreement with an industry partner, resulting in two Belly River gas wells. Siga has a 30% working interest in the 5-9-21-25 W4M well and a convertible gross overriding royalty of 11.25% in the 16-9-21-25 W4M well.

NITON

The Company owns small working interests in ten (10) producing Jurassic Rock Creek gas wells at Niton. The property has a long reserve life remaining and was acquired for its low maintenance cash flow.

PEMBINA, ALBERTA

Siga owns a 100% working interest before payout and a 60% working interest after payout in a producing oil well located at 8-12-47-9 W5M. There are two vertical infill locations on the property for future drilling.

VULCAN

Siga owns a 5% working interest in the well, Cal-Ranch et al Lomond 9-22-18-24 W4M, which was cased as a potential two zone Belly River gas well. The well is shut in pending further infrastructure development in the area. Siga also owns a 6.75% overriding royalty in this well.

October 10, 2003

Auditors' Report

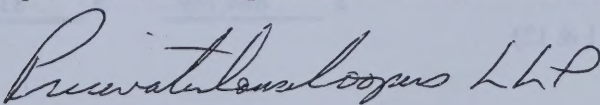
To the Shareholders of Siga Resources Limited

We have audited the balance sheet of **Siga Resources Limited** as at **June 30, 2003** and the statement of operations and deficit, and cash flow for the year ended June 30, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at **June 30, 2003** and the results of its operations and its cash flows for the year ended June 30, 2003 in accordance with Canadian generally accepted accounting principles.

The prior year numbers were reported on by another firm of Chartered Accountants. Their opinion was dated September 27th, 2002, and was issued without reservation or qualification.



Chartered Accountants
Calgary, Alberta

SIGA RESOURCES LIMITED**2003 ANNUAL REPORT****Balance Sheet**

	June 30	
Assets	2003	2002
Current assets:		
Cash	\$ 3,764	\$ --
Accounts receivable	133,319	55,079
Prepaid expenses	7,316	3,167
	<u>144,399</u>	<u>58,246</u>
Capital assets (Note 3)	<u>739,750</u>	<u>773,372</u>
	<u>\$ 884,149</u>	<u>\$ 831,618</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable (Note 7(a))	\$ 126,233	\$ 89,540
Bank indebtedness (Notes 2 and 4)	<u>290,000</u>	<u>373,352</u>
	416,233	462,892
Due to related parties (Note 7(b))	-	105,000
Site restoration costs	53,190	49,287
Shareholders' equity:		
Share capital (Note 5)	1,287,540	1,287,540
Deficit	<u>(872,814)</u>	<u>(1,073,101)</u>
	<u>414,726</u>	<u>214,439</u>
	<u>\$ 884,149</u>	<u>\$ 831,618</u>
Commitments & Contingency (Notes 11 & 12)		

Approved By The Board of Directors:

Director

Director

Statement of Operations and Deficit

	Year-ended June 30	
	2003	2002
Revenue:		
Production, net of royalties	\$ 539,024	\$ 244,494
Expenses:		
Depletion and amortization	72,056	63,285
General and administrative	136,367	113,505
Interest	25,807	35,915
Operating	104,507	72,811
	<u>338,737</u>	<u>285,516</u>
Income (loss) before income tax recovery	200,287	(41,022)
Recovery of future income taxes (Notes 5(a) and 6)		9,400
Net income (loss) for the year	200,287	(31,622)
Deficit at beginning of year	<u>(1,073,101)</u>	<u>(1,041,479)</u>
Deficit at end of year	\$ <u>(872,814)</u>	\$ <u>(1,073,101)</u>
Basic and Diluted earnings (loss) per share	\$ <u>0.015</u>	\$ <u>(0.002)</u>

Statement of Cash Flow

	Year-ended June 30	
	2003	2002
Operating:		
Net income (loss) for the year	\$ 200,287	\$ (31,622)
Add: Items not requiring a current cash flow -		
Depletion and amortization	72,056	63,285
Income tax recovery – future	-	(9,400)
Funds provided by operations	<u>272,343</u>	<u>22,263</u>
Change in non-cash working capital (Note 10)	<u>(45,696)</u>	<u>29,825</u>
Cash provided by operations	<u>226,647</u>	<u>52,088</u>
Financing:		
Increase (decrease) in bank indebtedness	(83,352)	(76,648)
Increase (decrease) in related party loans	(105,000)	-
Proceeds on issue of share capital	-	75,500
Cash used in financing	<u>(188,352)</u>	<u>(1,148)</u>
Investing:		
Acquisition of capital assets	(154,531)	(60,359)
Proceeds on disposal of capital assets	120,000	-
Cash used in investing	<u>(34,531)</u>	<u>(60,359)</u>
Increase (decrease) in cash	3,764	(9,419)
Cash at beginning of year	<u>-</u>	<u>9,419</u>
Cash at end of year	\$ <u>3,764</u>	\$ <u>-</u>
Interest paid in the year	\$ <u>31,943</u>	\$ <u>29,779</u>

Notes to Financial Statements June 30, 2003**1. Significant accounting policies:***Exploration and development costs -*

The Company follows the full cost method of accounting for exploration and development expenditures whereby all costs directly related to the exploration for and development of petroleum and natural gas reserves are capitalized. All expenditures accumulated are depleted or amortized using the composite unit-of-production method based on estimated proven reserves as determined by independent petroleum engineers. Gas volumes are converted to equivalent oil volumes based upon the relative energy content of six thousand cubic feet of gas to one barrel of oil. Proceeds on the disposal of properties are applied against capitalized costs. Gains or losses are recognized only if such treatment alters the depletion rate by more than 20%.

Oil and gas properties are subject to a ceiling test under which their carrying value, net of the accumulated provision for site restoration and abandonment costs and future income taxes, is limited to the undiscounted future net revenue from production of estimated proven oil and gas reserves, based on year-end prices (oil \$39.66/bbl; gas \$6.04/mcf), plus the unimpaired value of non-producing properties less future administration, financing, site restoration costs and income taxes.

Site restoration costs -

Site restoration costs are accrued based on estimates made by management and are charged against earnings as depletion expense.

Joint venture accounting -

A substantial part of the Company's operations are carried out through joint ventures. The financial statements reflect only the Company's proportionate interest in such activities.

Notes to Financial Statements June 30, 2003**1. Significant accounting policies (continued):***Measurement uncertainty -*

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for site restoration costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant.

Flow-through shares -

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced and future income tax liability increased by the estimated tax cost of these renounced expenditures when the expenditures are renounced.

2. Changes in Accounting Policies:

The Company has adopted the Canadian Institute of Chartered Accountants' pronouncement EIC - 122. This pronouncement requires that the classification of debt in a debtor's balance sheet be based upon the facts existing at the balance sheet date rather than expectations. Prior to the adoption of the new recommendations, the Company presented the demand loan as long-term on the basis that the bank had indicated it was not its intention to call for repayment within one year provided there was no adverse change in the financial position of the Company. However, these loans are demand in nature and therefore are now presented as a current liability.

On January 1, 2002, the Canadian Institute of Chartered Accountants' pronouncement for stock-based compensation and other stock-based payments became effective. The new section applies to all awards granted on or after January 1, 2002. When a company does not use the fair value based method of accounting, it must disclose pro-forma fair value based income and earnings per share information. Under the new recommendations, the Company's accounting for stock options is unchanged from prior periods, except for additional disclosure requirements as detailed in note 5(c).

Notes to Financial Statements June 30, 2003**3. Capital assets:**

Capital assets are recorded at cost and are comprised of the following:

	June 30	
	2003	2002
Petroleum and natural gas assets	\$ 1,828,014	\$ 1,798,020
Other assets	<u>23,094</u>	<u>18,557</u>
	1,851,108	1,816,577
Accumulated depletion and amortization	<u>1,111,358</u>	<u>1,043,205</u>
	\$ <u>739,750</u>	\$ <u>773,372</u>

There were no general and administrative costs capitalized in either year. Costs associated with unproved properties excluded from costs subject to depletion for the year ended June 30, 2003 amounted to \$100,000.

4. Bank indebtedness:

The Company has a \$380,000 revolving production loan facility bearing interest at prime plus 1.75%. The credit facility is reviewed annually by the bank and provided certain covenants are met, no principal repayments will be required in the next 12 months. The loan is secured by a general security agreement covering all present and after acquired property and a first fixed and floating charge debenture of \$1 million over the assets in the Company.

5. Share capital:

Authorized share capital of the Company consists of an unlimited number of common voting shares, unlimited number of first preferred shares and an unlimited number of second preferred shares. No preferred shares have been issued.

Notes to Financial Statements June 30, 2003

5. Share capital (continued):

- a) The following summarizes the movement in the share capital account for the year:

	Number of shares June 30	
	2003	2002
Opening balance	13,358,809	12,048,809
Flow through shares issued	-	200,000
Options exercised	-	1,110,000
Closing balance	<u>13,358,809</u>	<u>13,358,809</u>

	Amount June 30	
	2003	2002
Opening balance	\$ 1,287,540	\$ 1,221,440
Flow through shares issued	-	10,600
Options exercised	-	55,500
Closing balance	<u>\$ 1,287,540</u>	<u>\$ 1,287,540</u>

Proceeds on the issue of flow through shares were \$20,000. Share capital was then reduced by the related future income taxes of \$9,400.

- b) Pursuant to a stock option plan for directors, officers and consultants, there were 1,310,000 options outstanding at June 30, 2003 (2002 – 110,000). The options entitle the holders to acquire 1,310,000 common shares of the Company for \$0.10 per common share. All stock options have vested except 110,000, which will vest on July 19, 2003. If not exercised, these options will expire in November 2007 and March 2008. Information regarding the Company's stock options is summarized below:

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2002	110,000	\$0.05
Cancelled	(110,000)	\$0.05
Granted	<u>1,310,000</u>	<u>\$0.10</u>
Outstanding, June 30, 2003	<u>1,310,000</u>	<u>\$0.10</u>

Notes to Financial Statements June 30, 2003

5. Share capital (continued):

- (c) No compensation expense is recognized in the financial statements for stock options granted to employees and directors. Effective January 1, 2002 Canadian Generally Accepted Accounting Principles require the disclosure of the impact of using the fair value method on compensation costs and recorded net income. If the fair value method had been used, the Company's net income and earnings per share would approximate the following pro-forma amounts:

	For the Year Ended June 30, 2003	
	As Reported	Pro-forma
Net Income (\$)	200,287	160,987
Earnings per share	0.015	0.012

The fair value of each option granted is calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

June 30, 2003

Risk free interest rate (%)	4.35
Expected hold period prior to exercise of stock options (years)	5
Expected volatility in the Company's shares (%)	150
Dividends (\$/share)	0.00

6. Income taxes:

The Company has non-capital losses for income tax purposes of approximately \$185,000 (2002 - \$457,000) which are available to be carried forward, and applied against future taxable income. If unused, these losses will expire at various times to the year 2006. The Company's income tax value of assets exceeds their book value by \$661,000 (2002 - \$602,000). The potential benefit of these amounts has not been recognized in these financial statements.

The recovery of income taxes on the statement of operations and deficit differs from the recovery of income taxes which would be expected by applying the federal and provincial income tax rates to the loss for the year due to the realization of the excess of the tax values over book values not being more likely than not because of the Company's large deficit and lack of a history of profitability.

Notes to Financial Statements June 30, 2003**7. Related party transactions:**

- a) General and administrative expenses include \$9,600 (2002 - \$10,400) of charges by a company controlled by a director relating to the Company's share of rent. This company also charges amounts for postage, courier and other office expenses based on actual usage. At June 30, 2003, \$6,798 (2002 - \$3,347) was included in accounts payable.
- b) The amounts due to related parties bear interest at 9% and were repaid during the year. The companies are controlled by an individual, who is a shareholder and director of Siga Resources Limited. Interest paid in the year to related parties amounted to \$7,486 (2002 - \$9,853). These companies also participate in various oil and gas ventures with the Company.

8. Remuneration of officers and directors:

The aggregate remuneration paid or payable in the year to directors and senior officers, as defined in the Alberta Business Corporations Act, amounted to \$28,000 (2002 - \$24,000).

9. Financial instruments:

The Company's financial instruments that are included in the balance sheet are comprised of accounts receivable, cash and current liabilities. The fair value of these financial instruments approximate their carried amount.

A substantial portion of the Company's accounts receivable, are with customers in the oil and gas industry and are subject to normal industry credit risk.

10. Statement of cash flow:

The changes in non-cash working capital are comprised of:

	2003	2002
Decrease (increase) in accounts receivable	\$ (78,240)	\$ 4,456
Increase in prepaid expenses	(4,149)	(683)
Increase in accounts payable	36,693	26,052
	<u>\$ (45,696)</u>	<u>\$ 29,825</u>

Notes to Financial Statements June 30, 2003

11. Commitments

The Company entered into a natural gas fixed price contract for the sale of 150 gigajoules per day with an AECO price of \$5.60 per gigajoule plus 50% of the difference between the average spot price and AECO hub price for the period April 1, 2003 to October 31, 2003.

12. Contingent liability:

The Company has been named as a defendant in a lawsuit. The outcome of the lawsuit along with the potential liability, if any, arising from the lawsuit is not determinable at this time. As a result, no liability has been reflected in these financial statements.

CORPORATE INFORMATION**Head Office**

400, 333 – 5th Avenue S.W.
Calgary, Alberta T2P 3B6
Telephone: (403) 262-5075
Facsimile: (403) 265-3357

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Directors

Murray J. Berg, Chairman of the Board
Kim A. McKay, President
Robert S. Bruce
Tibor Fekete
John L. Reid-Bicknell
John C. Eadie

Solicitors

Macleod Dixon
Calgary, Alberta

Officers

Kim A. McKay, President
Murray J. Berg, Chairman of the Board
Greg Ziegler, Vice President – Operations
Ivabelle Cassidy, Manager - Accounting
Julia Turnbull, Corporate Secretary

Bank

ATB Financial
3rd Floor, 239 – 8th Avenue S.W.
Calgary, AB T2P 3B6

Listing Information

TSX Venture Exchange
Symbol: "SIG"

Standard Abbreviations

MMscf = Million standard cubic feet
MCF = Thousand cubic feet
BBL = Barrel

MSTB = Thousand standard barrels
M\$ = Thousand dollars